

# Nine Community Health Centers Financial Performance 2010-2014

Kane Consulting Group

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# Summary of Key Findings

## 2007-2011

- Profitability weak, erratic, and highly dependent on annual operating grants (federal and nonfederal)
- Revenue growth rates dropping to negative growth in 2011
- Big ARRA capital grants in 2011 increase cash balances temporarily
- Otherwise liquidity quite fragile, current ratios barely adequate
- Solvency: growing reliance on long-term debt without growing ability to repay/service it

## 2010-2014

- Operating profits remain weak and erratic, but less dependent on annual operating grants (patient revenue is a rising % total revenue)
- Revenues grew an average annual rate of 5%. Strongest growth was in 2013 and 2014
- Capital grants financed significant capital spending, although plant age did not change much
- Liquidity stabilized but still quite tight for many FQHC's
- Solvency much improved as capital grants reduced reliance on long term debt. Ability to repay is stronger.

# Patient Characteristics NH FQHC's

|                                  | 2010  | 2011  | 2012  | 2013  | 2014  |
|----------------------------------|-------|-------|-------|-------|-------|
| # Patients                       | 64235 | 64037 | 65532 | 68551 | 80565 |
| % White,<br>Not Hispanic         | 86.8% | 87%   | 85.5% | 84.4% | 85%   |
| % LT 18                          | 24%   | 23%   | 24%   | 24.4% | 23%   |
| % 65+                            | 11.5% | 11.9% | 12.25 | 13.3% | 15%   |
| % Income LE<br>200% FPL          | 78%   | 80%   | 81%   | 83%   | 78%   |
| % Uninsured                      | 31.5% | 29.4% | 29.7% | 28.5% | 18%   |
| % Medicaid<br>_SCHIP**           | 23.9% | 24.3% | 25.3% | 25.8% | 30%   |
| % Medicare                       | 14.5% | 15.6% | 15.9% | 17.2% | 19%   |
| % Other 3 <sup>rd</sup><br>Party | 30%   | 30.7% | 29.1% | 28.5% | 33%   |

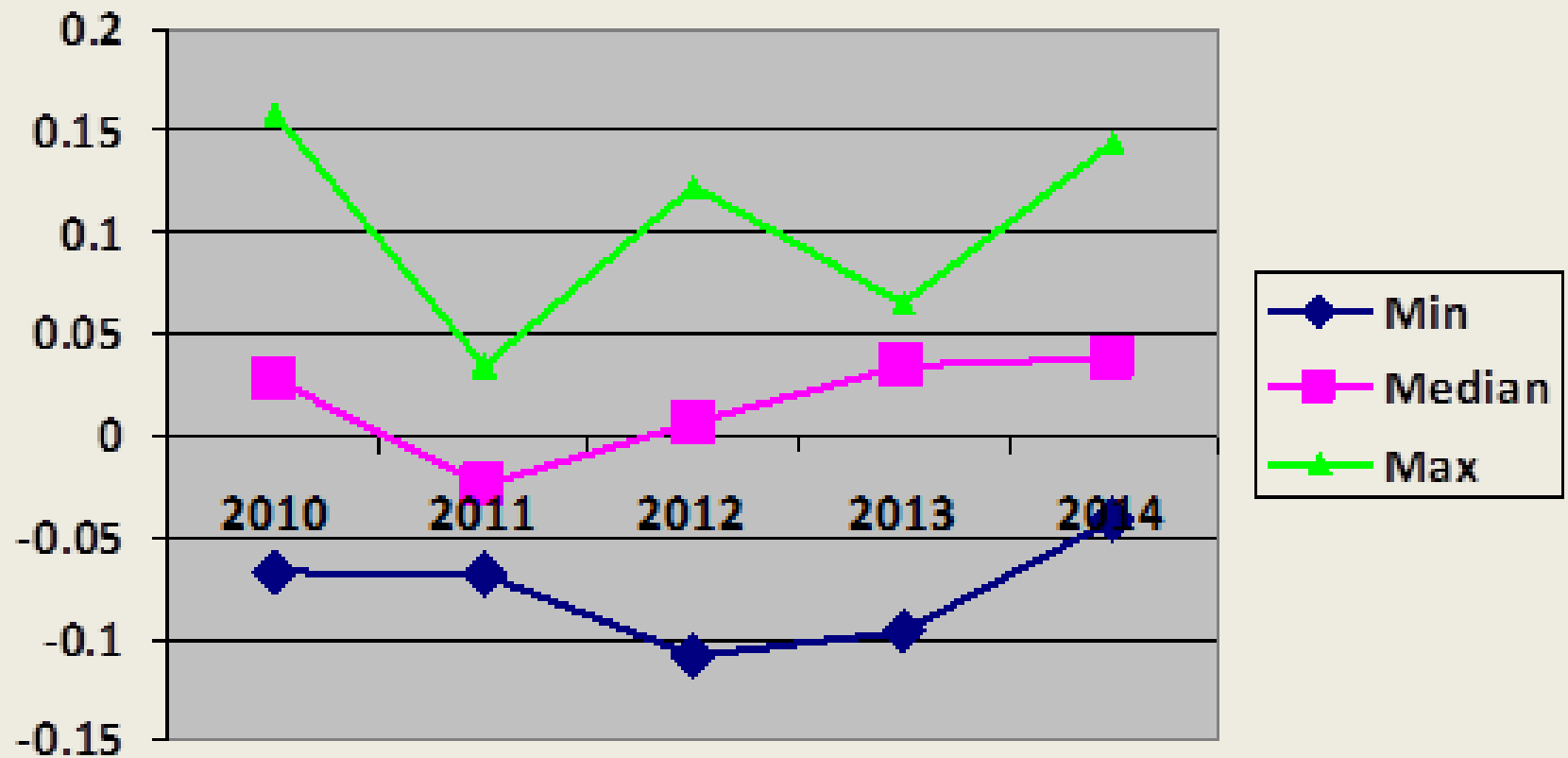
# Patients is for only the 9 FQHCs; excludes City of Manchester and Harbor Homes;

\*\*Medicaid numbers do not reflect NH HPP which began August 2014; FYE June for most FQHC

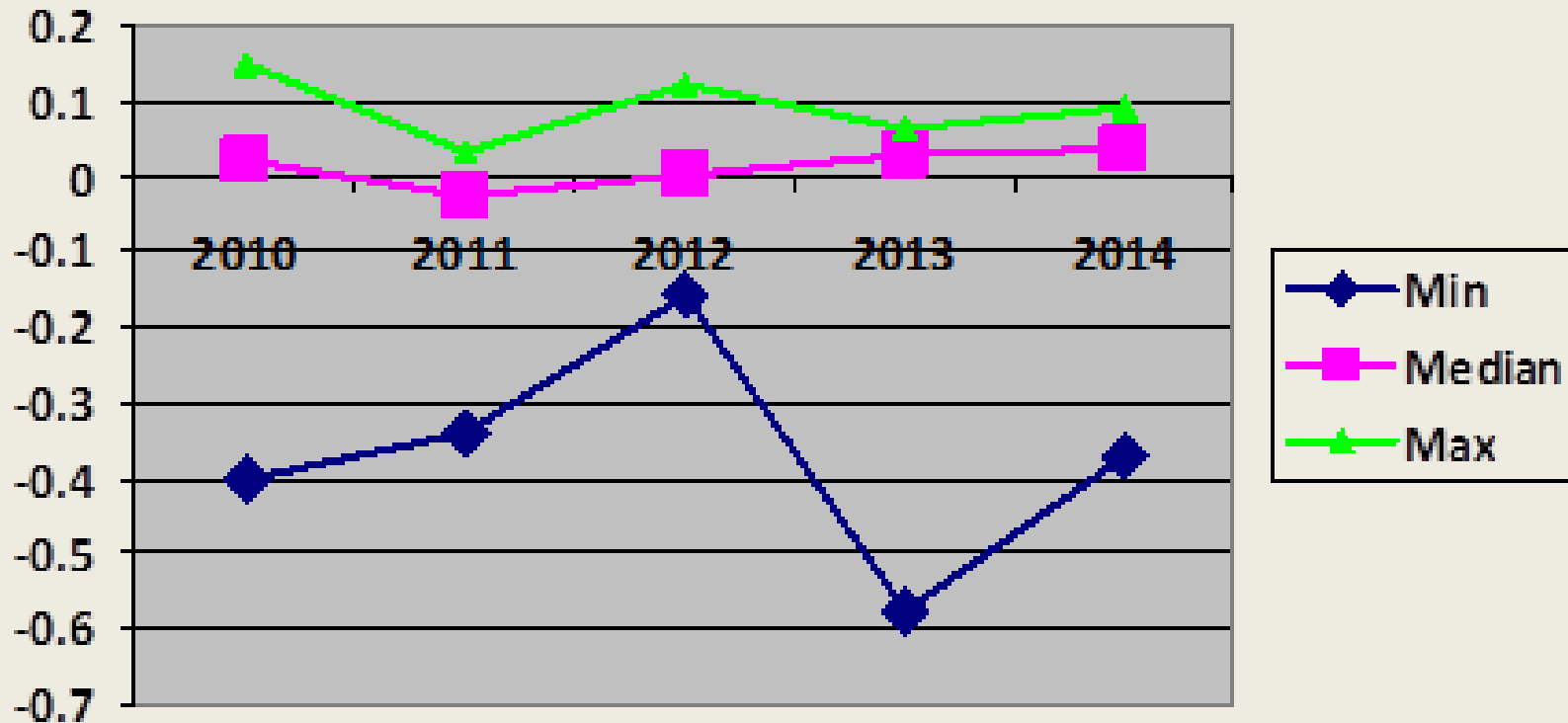
# FQHC Aggregate Income Statement

|                          | Dollars in Thousands |        |        |        |        | Average |
|--------------------------|----------------------|--------|--------|--------|--------|---------|
| Year                     | 2010                 | 2011   | 2012   | 2013   | 2014   | % Chang |
| Net Patient Service Rev  | 31,334               | 30,935 | 31,659 | 36,125 | 40,569 | 7%      |
| Total Other Operating R  | 23,985               | 23,843 | 23,884 | 24,519 | 26,687 | 3%      |
| Total Operating Revenue  | 55,319               | 54,778 | 55,543 | 60,644 | 67,256 | 5%      |
| Depreciation             | 1,120                | 1,360  | 1,733  | 1,711  | 1,671  | 12%     |
| Total Operating Expense  | 55,767               | 56,785 | 56,708 | 61,067 | 66,300 | 5%      |
| OPERATING INCOME         | -448                 | -2,007 | -1,165 | -423   | 957    |         |
| Donated Goods & Service  | 1,471                | 1,130  | 623    | 1,454  | 1,731  |         |
| Total Nonoperating Rev   | 1,818                | 1,229  | 847    | 1,730  | 1,861  |         |
| EXCESS REVENUES OVER     | 1,370                | -777   | -318   | 1,307  | 2,817  |         |
| Capital Additions and ot | 1,330                | 11,275 | 315    | 599    | 608    |         |
| Change in total net asse | 3,222                | 11,042 | -183   | 2,013  | 3,439  |         |

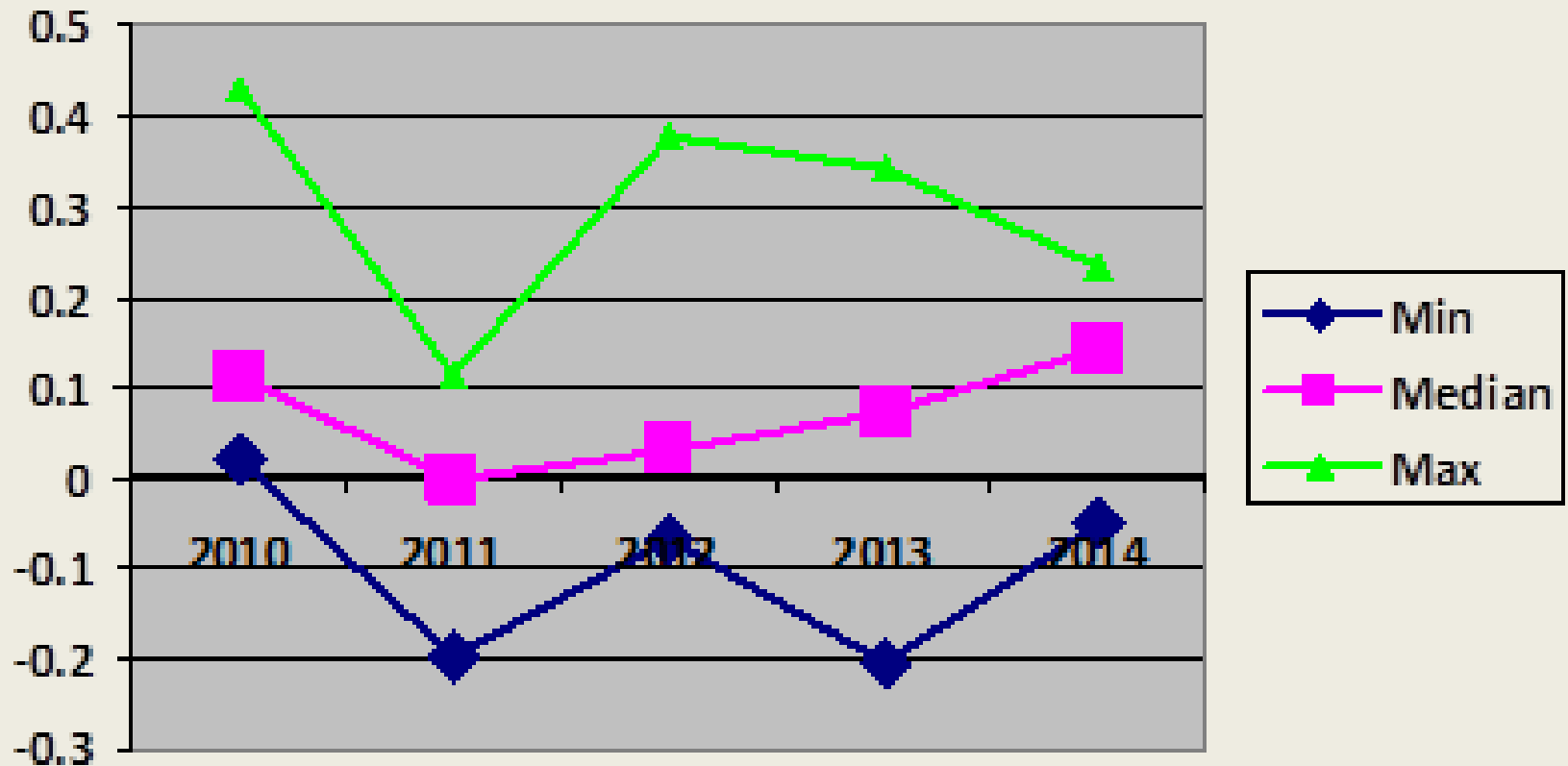
# Total Margins 2010-2014



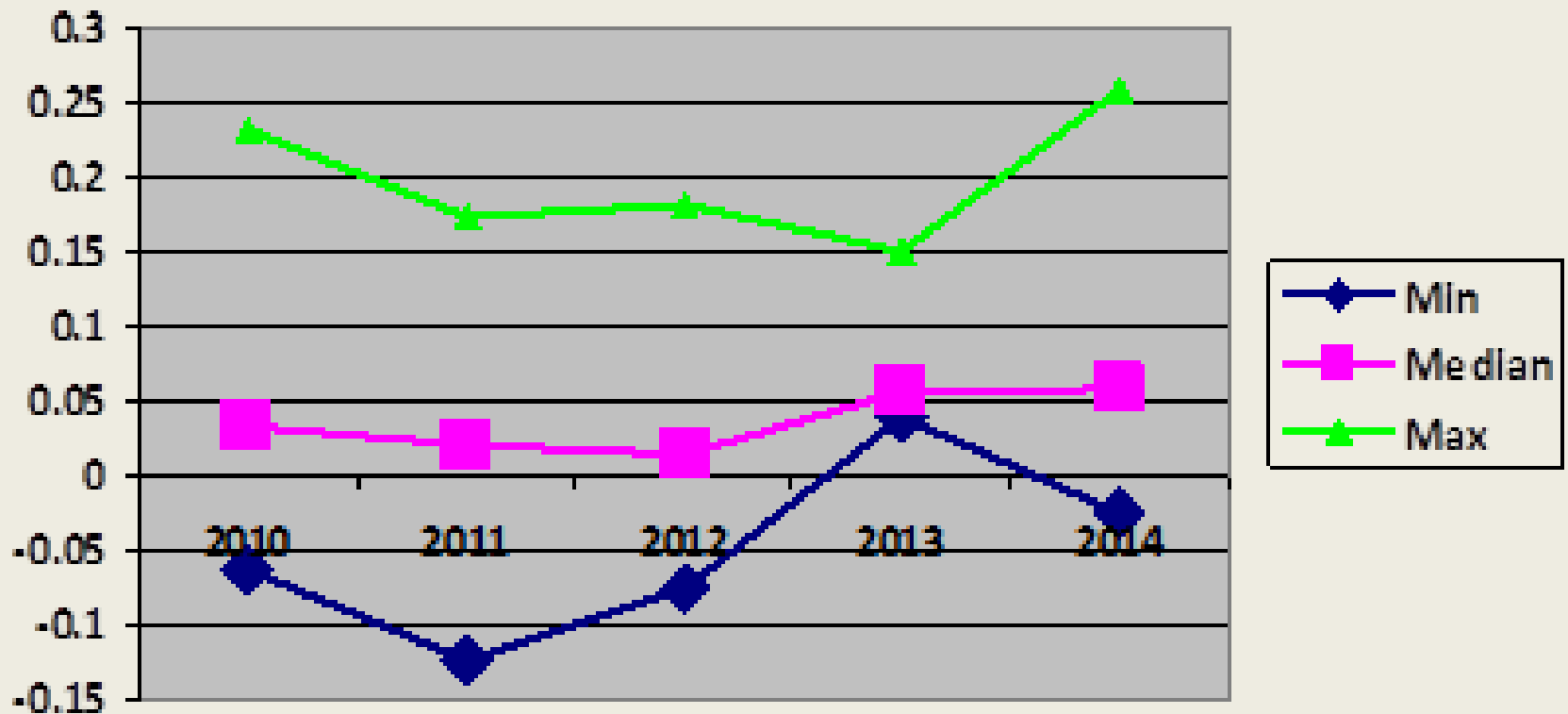
# Operating Margins 2010 - 2014



# Operating Revenue Growth 2010-2014

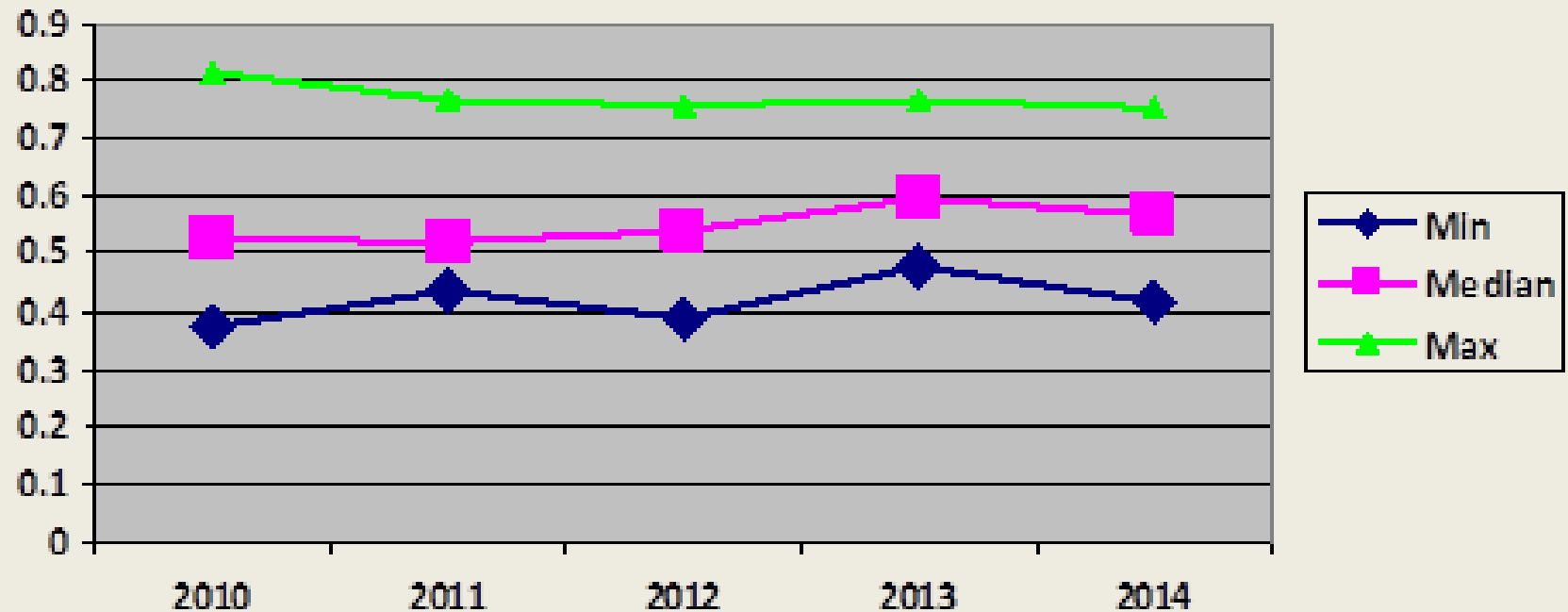


# Operating Expense Growth 2010-2014

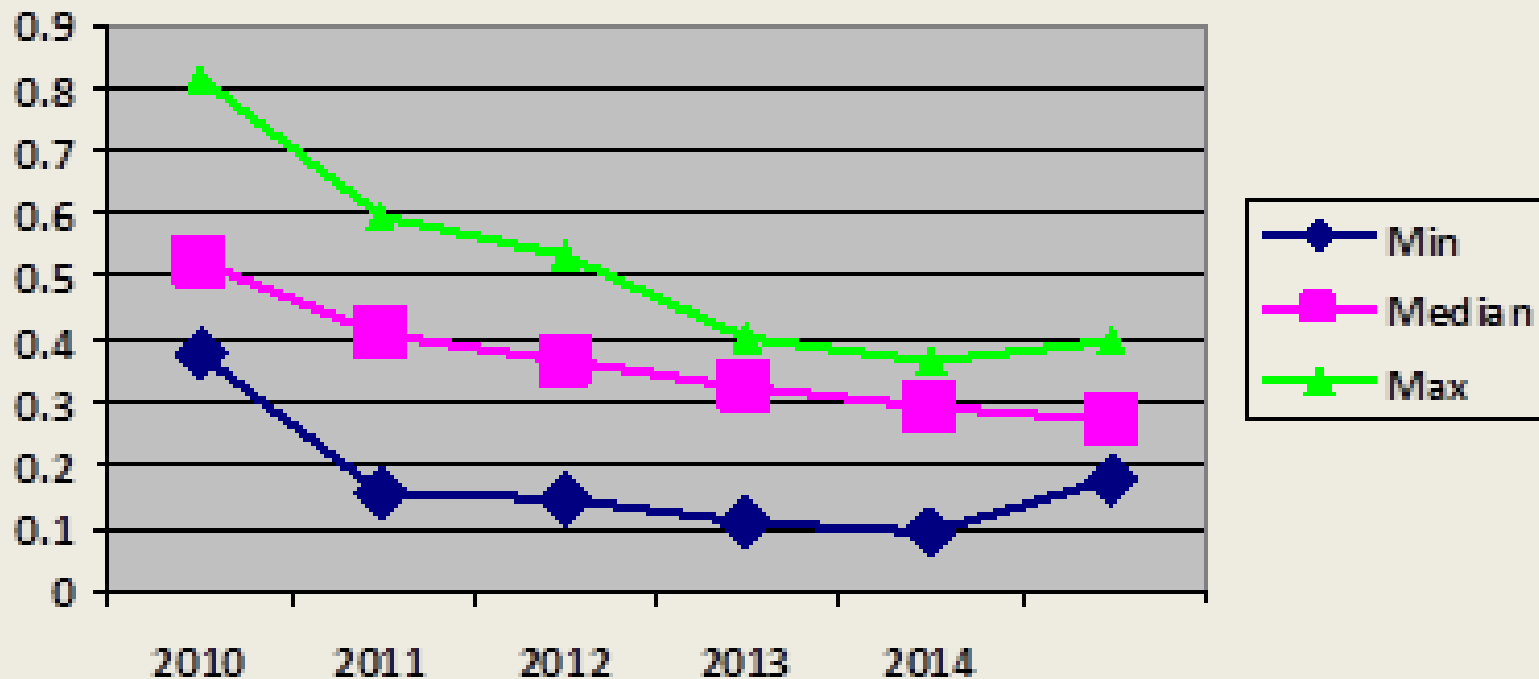




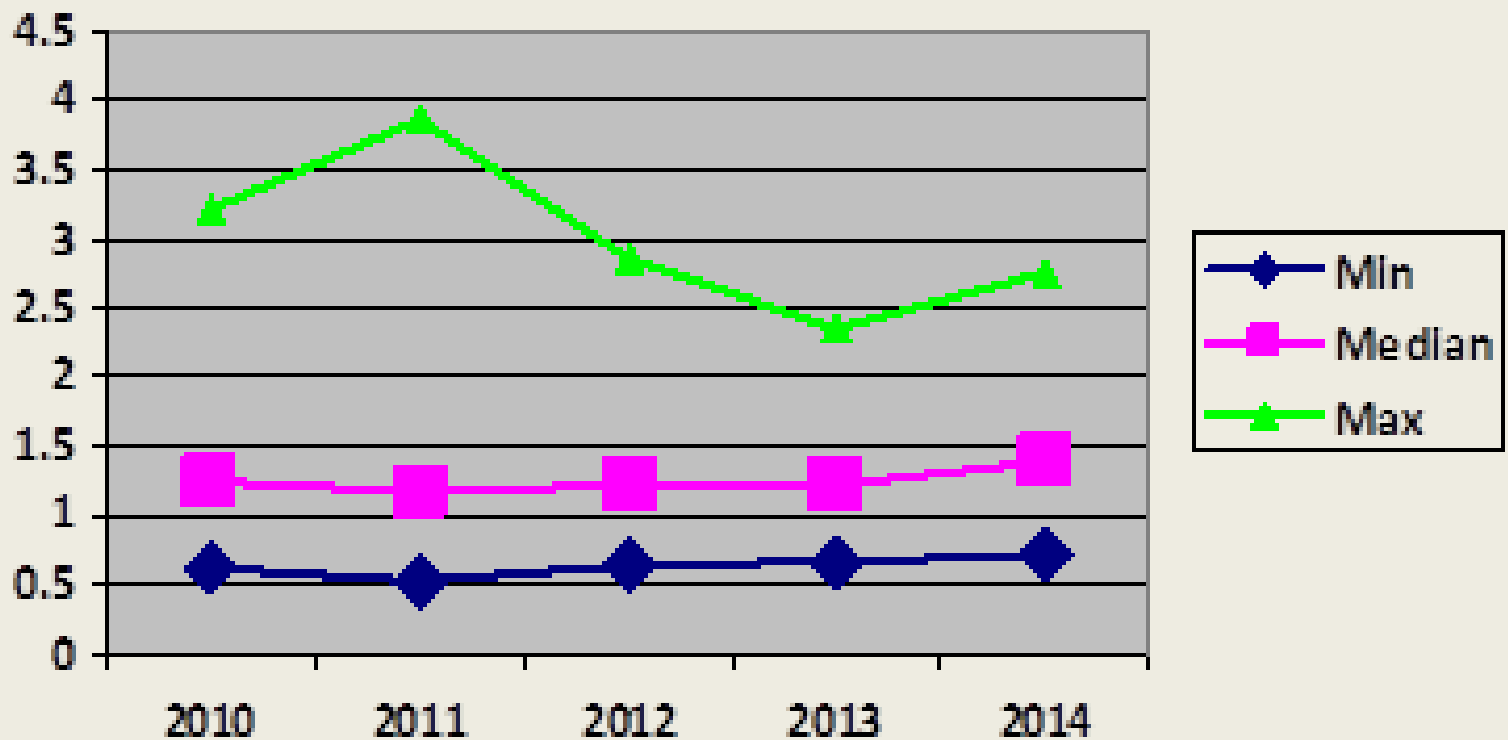
# Net Patient Service Revenue as % Operating Revenue, 2010-2014



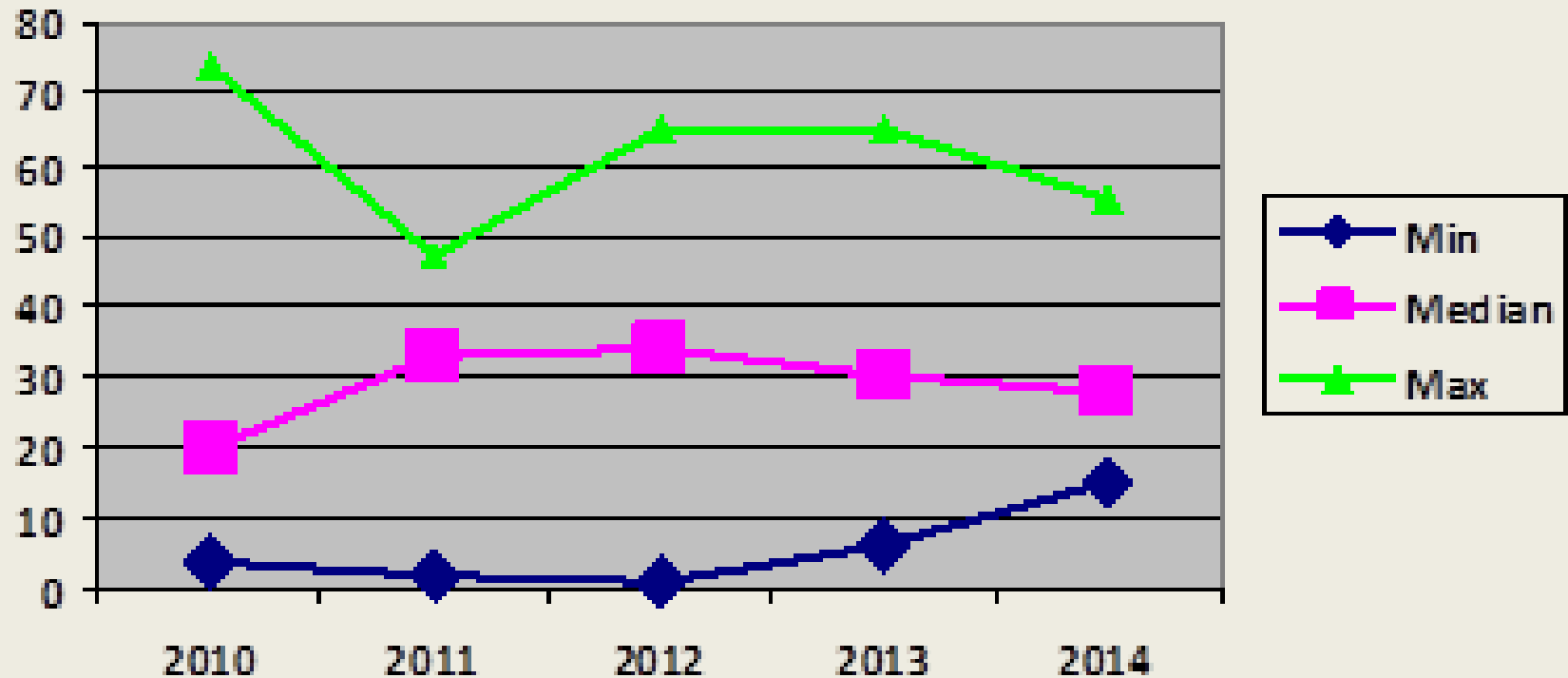
# Grants and Contracts as % Operating Revenues, 2010 -2014



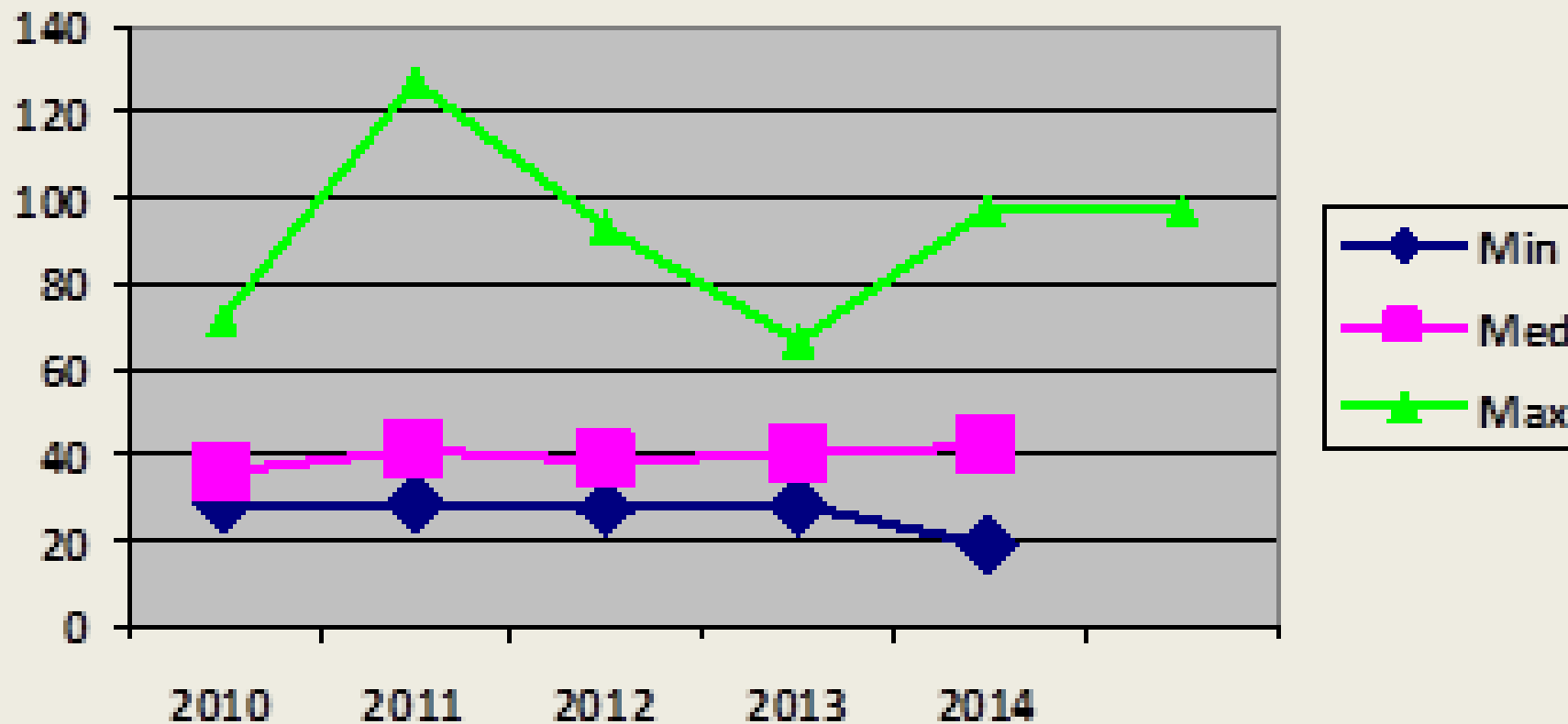
# Current Ratio 2010-2014



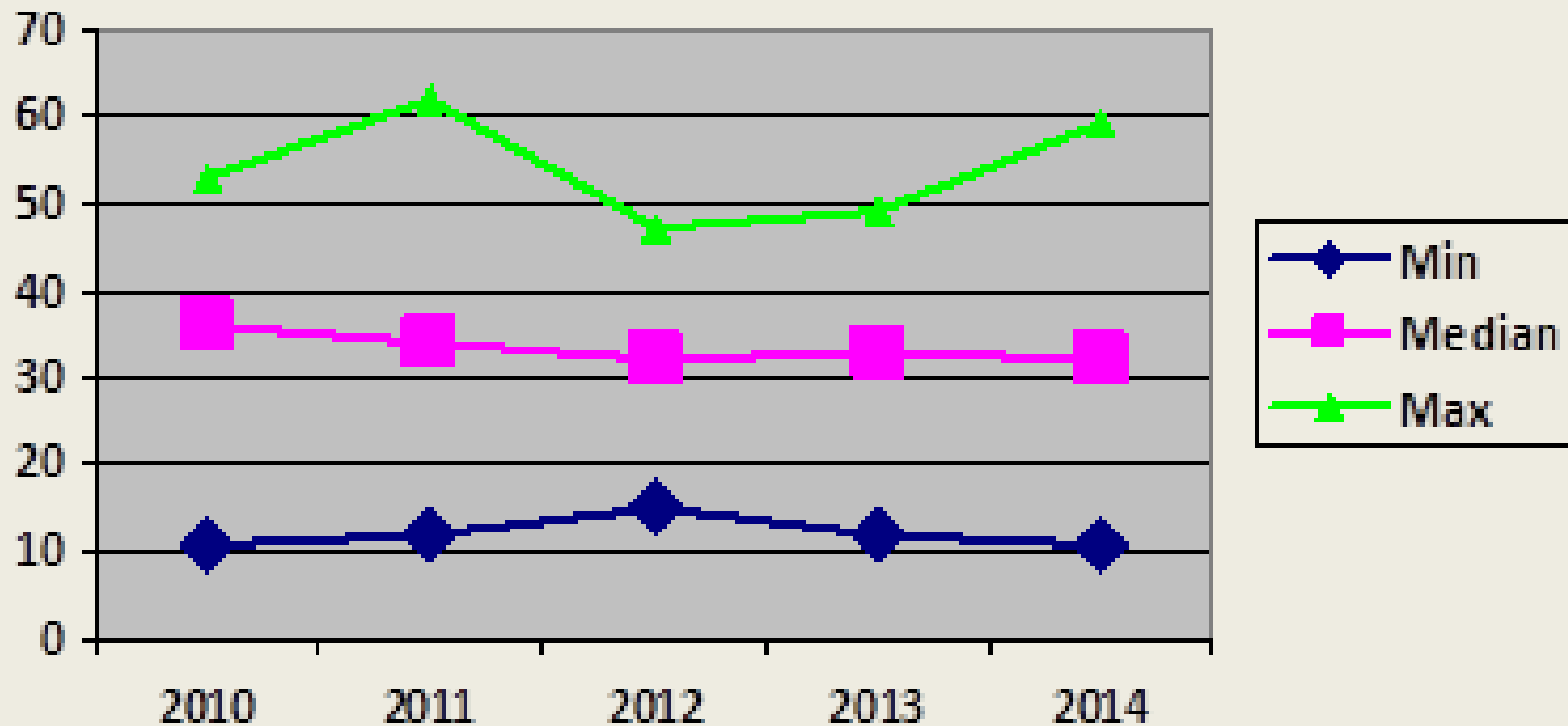
# Days Cash on Hand 2010-2014



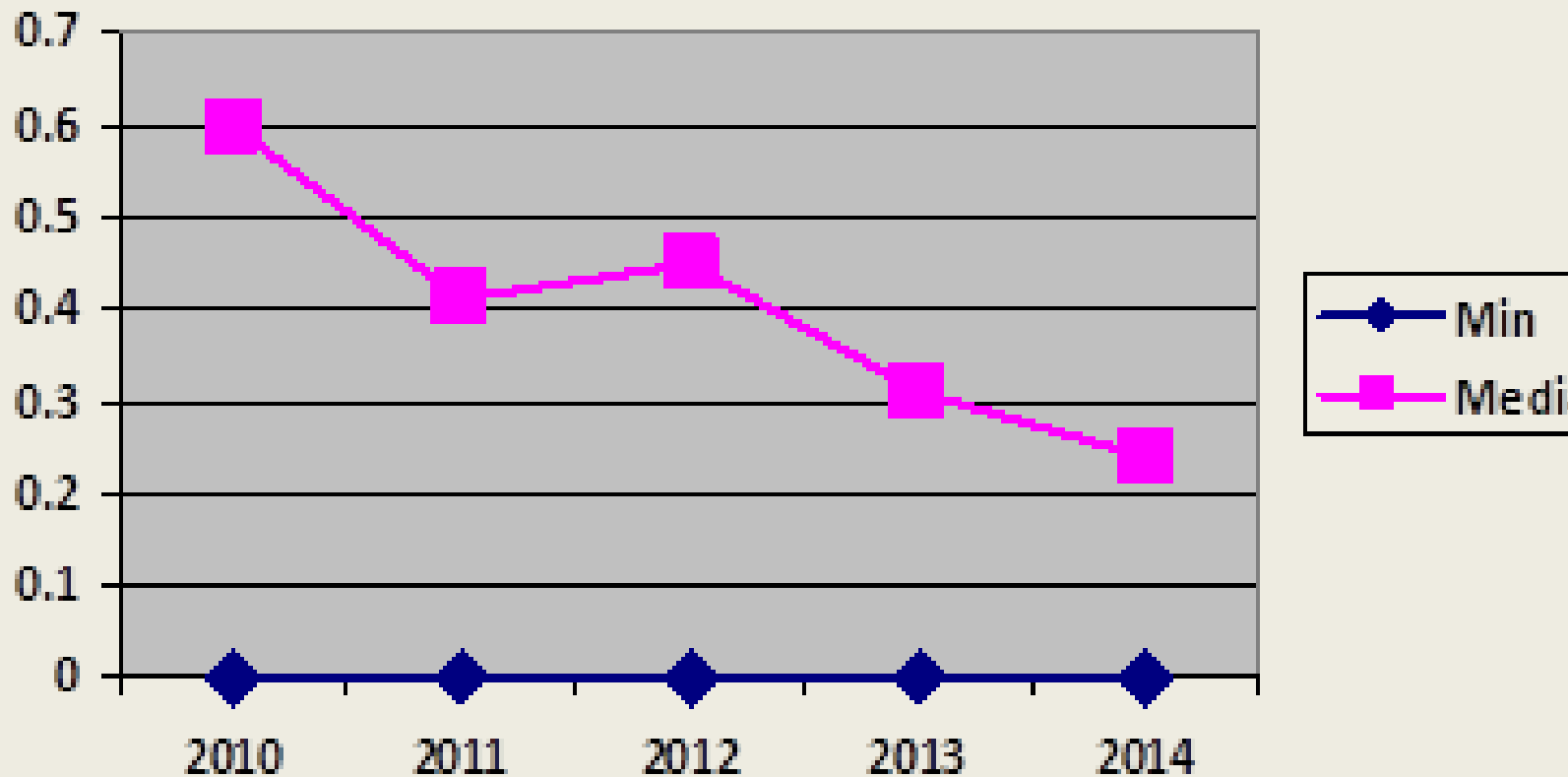
# Days in Accounts Receivable 2010-2014



# Average Pay Period 2010-2014

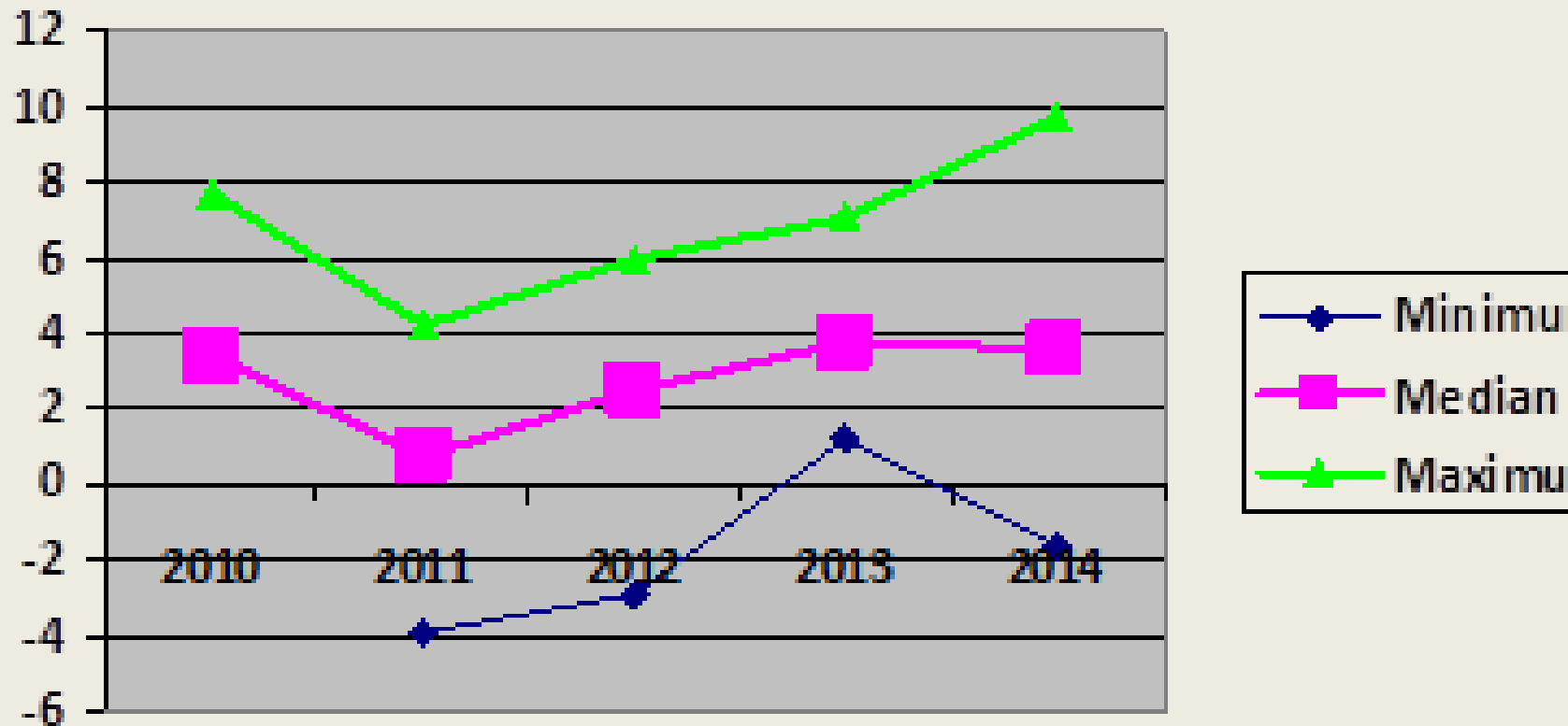


# Longterm Debt to Equity 2010-2014



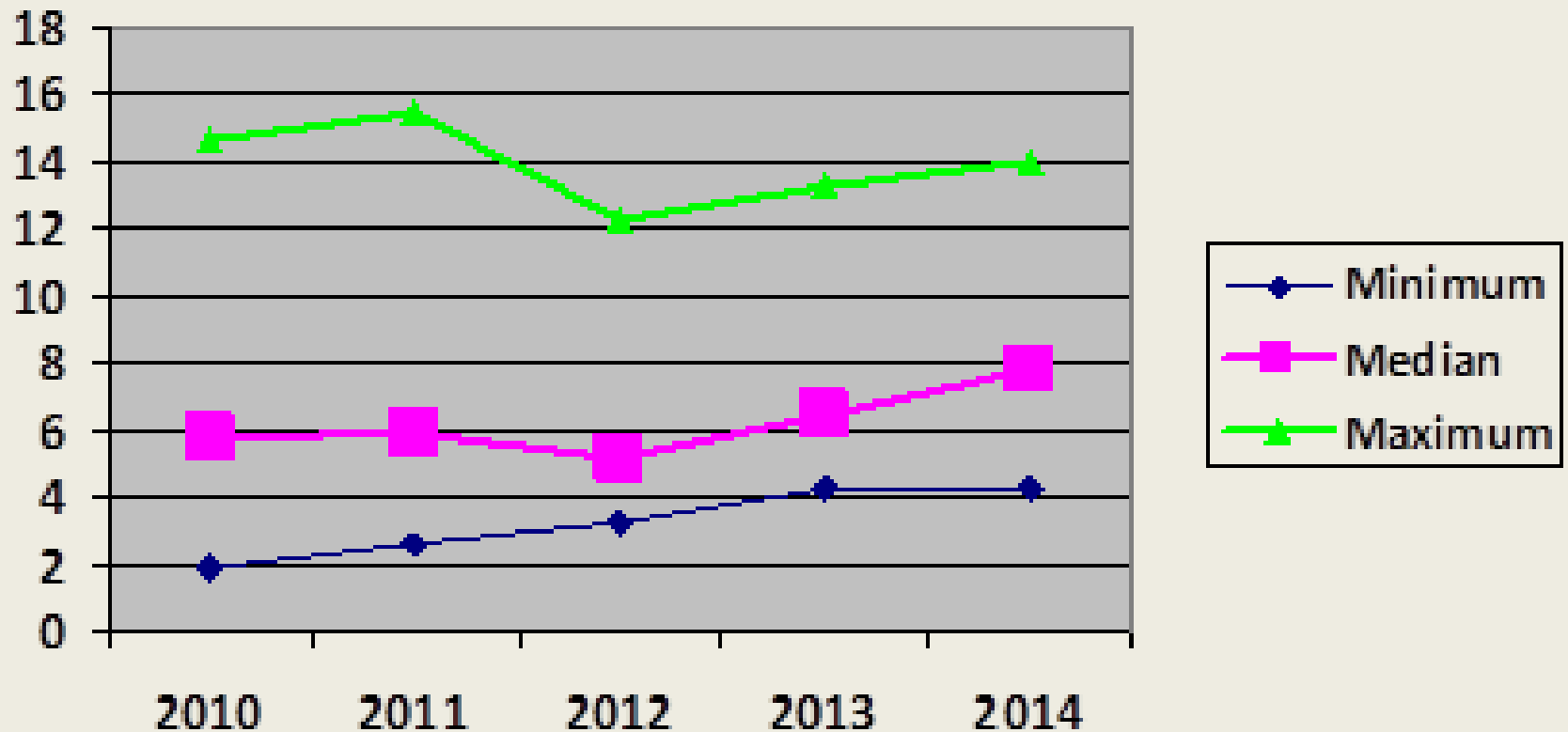
Maximum dropped from 35 to 3X equity; did not fit on chart

# Debt Service Coverage 2010-2014





# Average Plant Age, 2010-2014



Capital expenditures over the period were \$28 million, 2.8 X depreciation expense; Roughly half of that was funded by capital grants (ARRA, ACA); longterm debt increased by less than 5 million; balance was internal operating funds

# Conclusion

Strengthened overall by one-time capital grants, increased membership, and fewer uninsured. Some also seem to have gained profitability by providing in-house pharmacy.

However operating margin cumulatively over the period is negative, driven lower largely by fast-growing depreciation expense, reflecting high capital spending.

Not all 9 doing well; two in particular are financially struggling.

Liquidity remains tight.

Update when 2016 (and 2015) become available to capture impact Of NH HPP (Medicaid expansion) occurring in FQHC FY 2015